Animalcare Group plc
Annual Report 2011

Stock code: ANCR

Developing and Supplying
Veterinary Products for Companion Animals

Animalcare Group plc is focused on growing its veterinary business.

Animalcare is a leading supplier of generic veterinary medicines and animal identification products to companion animal veterinary markets.

It develops and sells goods and services to veterinary professionals principally for use in companion animals; operating directly in the UK and through distribution and development partners in key markets in Western Europe.

Its principal product lines are licensed veterinary medicines and companion animal identification products and services.

Contents

Operational Highlights

- Sale of the Livestock Division with focus now fully on the Companion Animal Division
- Launch of four new generic veterinary products during the year
- New product development pipeline on track to deliver further new products as planned
- Reorganisation of the structure of the UK sales force

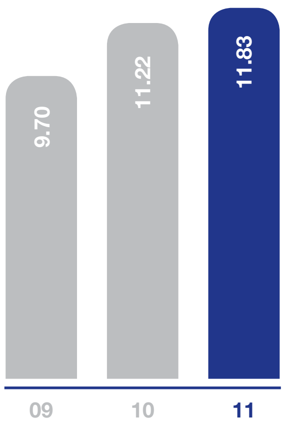
Financial Highlights

	Year Ended June 2011	Year Ended June 2010
Revenue — continuing operations	**£11.83m**	£11.22m
Profit/(loss) for the year	**£2.33m**	(£1.03m)
Underlying* operating profit — continuing operations	**£3.05m**	£2.60m
Underlying* profit before tax — continuing operations	**£3.00m**	£2.48m
Underlying* profit for the year — continuing operations	**£2.29m**	£1.72m
Underlying* fully diluted earnings per share — continuing operations	**11.2p**	8.5p
Interim dividend paid	**1.0p**	nil
Proposed final dividend	**3.0p**	3.0p
Cash and cash equivalents	**£1.18m**	£1.56m
Borrowings	**nil**	£4.46m

* Underlying measures exclude, where applicable, amortisation of acquired intangibles, impairment of goodwill, fair value movements on interest hedging, impairments to current and non-current assets and other charges relating to Group reorganisation.

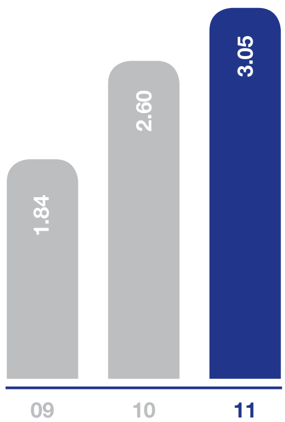
Revenue
— continuing operations
£m

+5.4%
at £11.83m



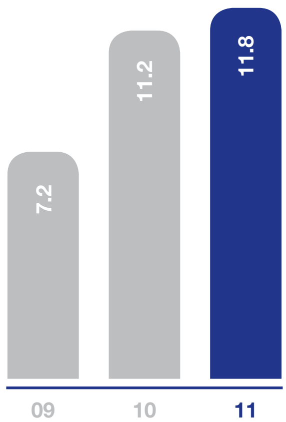
Underlying profit before tax
— continuing operations
£m

+17.3%
at £3.05m



Underlying basic
earnings per share
pence

+5.4%
at 11.8p



Chairman's Statement

"In a flat veterinary market our 'new' Animalcare business achieved record sales, margins and profits during this financial year."

Introduction

The Group has been operating for nearly a full year uniquely as a companion animal veterinary supplies business, having divested itself of the agricultural supplies businesses of Ritchey, Fearing and Travik in the first half of the financial year. This has allowed your Group to focus and concentrate all its resources on growing the more profitable and stable veterinary medicines and Identichip ranges. We can now plan for acceleration in the introduction of new licensed pharmaceutical products for our growing veterinary medicine portfolio. These divestures, combined with continued strong cash generation in the companion animal supplies business, means that your Group is debt free at the year end; indeed it had cash balances of *c*£1.2 million at 30 June 2011 as opposed to net debt of *c*£2.9 million at the previous year end.

Financial Trading

In a flat veterinary market our "new" Animalcare business achieved record sales, margins and profits during this financial year. Sales increased by approximately 5 per cent and margins by 1 per cent, whilst overheads were well controlled being 1 per cent lower than last year. This has meant fully diluted earnings per share from continuing operations have risen from 8.5p to 11.2p, a full 31 per cent. This is a good performance. Unlike previous years, there are few exceptional or other items during this financial year. The Company announced, in our pre-close trading update issued in July, that following an extended period of poor supplies performance that had already damaged sales in the 2010–11 financial year Recipharm, the supplier of one of our important veterinary medicines Buprecare, had closed their sterile production unit in the UK and had ceased supply with immediate effect from 30 June 2011. As we had already taken steps to introduce a new supplier, we expect that we will be reintroducing Buprecare to our range during the last quarter of the coming financial year. The expected loss of turnover at the time was estimated to be up to £450K for 2011/2012. The Board is confident that once supplies are available again we can soon win back lost sales and market share and the temporary loss of supply will not have a long-term financial effect on your business.

Dividend

With the increase in cash and the underlying cash flow of your business, the Company paid its maiden interim dividend of 1.0 pence per share on 6 June 2011. With this in mind your Board is recommending a final dividend of 3.0 pence per share. This total dividend for the year of 4.0p (2010 — 3.0p) represents an annual increase of 33 per cent and is covered 2.9 times by earnings. The dividend is subject to shareholders' approval at our Annual General Meeting to be held 28 October 2011 and is proposed to be paid on 7 November 2011 to shareholders on the register on 14 October 2011.

The Board

During the financial year Peter Warner joined the Board as Chief Financial Officer. Dr Iain Menneer, the Director of Marketing of Animalcare Limited, also joined the Board on 1 July 2011. I welcome them both as they will help to contribute to the growth of your business enormously. During the course of the year Geoff Rhodes, one of the original founders of the Ritchey business, resigned from his role as non-executive director. I wish to record the appreciation of the Board and my own personal thanks to Geoff for his service to the company over many years. It is intended that a new non-executive director with experience in life sciences businesses will join your Board this calendar year. On behalf of your Board I would like to thank all the employees, customers and suppliers that have helped make the financial year such a success.

Prospects

During the past financial year and now in the current one, there has been little or no growth in the veterinary medicines market in the UK. However, with the launch of several new veterinary drugs in the first quarter building on those introduced during the last financial year, and with the reintroduction of Buprecare, your Board believes that we will continue to grow the business markedly faster than the market overall and increase our market share. Trading in the year to date has started in line with your Board's expectations.

James Lambert
Chairman

Chief Executive's Review

"Sales of our established range of veterinary medicines in the UK grew by 5.6% whilst UK sales of more recently launched generic veterinary medicines grew by 22.7%."

Introduction

The past year has seen significant change in the structure of the Animalcare Group. After a careful strategic review we divested the Ritchey, Fearing and Travik businesses that comprised the old Livestock Division. As previously reported, the underlying reason for the sale of these businesses was the clear recognition that the time and resource required to revitalise the Livestock Division in a market sector that was showing few signs of sustainable, profitable growth could be better focussed and used in our rapidly growing and profitable Companion Animal Division.

Our focus now is fully on the Companion Animal Division with its strategy of growth through the introduction of branded generic versions of selected veterinary medicines in key markets in Europe. This strategy is supported by the distribution in the UK of other professional goods and services to veterinary professionals where we have or can build a sustainable complementary product offering. The Companion Animal Identification and Infusion Accessories ranges are good examples of this approach.

Market Overview

The National Office of Animal Health, NOAH, the trade association which represents approximately 90 per cent of the distributors of veterinary medicines in the UK, in its latest published figures for the year ended March 2011 announced that the ex manufacturer sales, net of all discounts of all veterinary medicines, were flat at £467.2 million (2010 — £469.0 million) and 2.1 per cent up on 2009 (£452.0 million). In comparison, sales of Animalcare veterinary medicines in the UK in the financial year grew by 7.6 per cent. Sales of our established range of veterinary medicines in the UK grew by 5.6 per cent whilst UK sales of more recently launched generic veterinary medicines grew by 22.7 per cent. This result is all the more pleasing in the light of the supply problems we had throughout the year with one of our key brands Buprecare. These supply problems ensured that we could not achieve the growth targets we set for the Buprecare brand in the UK but we endured a slight reduction in sales revenue of 2.1 per cent. A programme is in place to introduce an alternative supplier of Buprecare ampoule during the second half of the financial year.

Sales via our distribution network in Europe were 4.0 per cent lower than the previous financial year. Although we experienced strong sales in some markets, notably Germany, this was offset by the loss of our distributor in Belgium and a particularly weak market in Spain. We are in discussions with an alternative distributor for our products in Belgium and will give our other European markets additional focus in the coming year.

Sales in the Companion Animal Identification products group were strong despite the market experiencing increased competitive pressure on prices. The amalgamated sales of all other product groups were ahead of expectations and overall market growth as our continued penetration with new veterinary medicines presents the opportunity to sell other parts of our range.

During the course of the year we continued to develop the sales of Enrocare, a later generation fluoroquinalone antibiotic, and Phenoleptil, a treatment for epilepsy in dogs, which were launched at the end of the final quarter of the previous financial year. We launched Florgane, a patented formulation of a well established cattle antibiotic; Anivac, a vaccine against viral haemorrhagic disease (“VHD”) in rabbits; and Sedastart and Sedastop, a sedative and reversing agent used in cats and dogs. Whilst the sales of the two large animal products, Enrocare and Florgane, have been slow to take off additional product introductions in the autumn will give renewed impetus to these products. In contrast the sales of Anivac in particular but also Sedastart and Sedastop have been very good, comfortably surpassing the early sales targets set for them. We believe this momentum will be sustained.

Overall Animalcare Group grew revenue from continuing operations 5.4 per cent in the year to £11.8 million (2010 — £11.2 million), ahead of market rates. The improvement in mix of products in the range continued, and despite the pressure on selling prices seen in some product groups, overall gross profit grew by 7.3 per cent to £6.4 million (2010 — £6.0 million). Although we again strengthened the UK sales team during the course of the year, cost savings as a result of the divestitures and good overall cost control saw the administrative expenses for continuing operations decline to £3.2 million (2010— £3.5 million). Underlying operating profit for continuing operations once more saw very good growth in the year of 17.6 per cent to £3.1 million (2010 — £2.6 million).

Future Developments

We anticipate that the market for companion animal veterinary products in UK and in our target European markets will remain difficult in the coming year. We are however confident that through the efficient execution of our strategy of the registration, marketing and sale of selected veterinary generic medicines we will continue to deliver rates of growth significantly better than the market.

It was our intention to launch four new generic veterinary medicines during the course of the year and this was achieved through the launch of Anivac VHD, Florgane, Sedastart and Sedastop. As the new veterinary generics launched in the previous years approach the mature market share targets we set for them in the UK, we will continue to develop the recently launched products. At the same time we already have finished packed goods on hand for two new products that we will launch to the market in the first half of October 2011 along with a third complementary product. These will be supplemented by a very important addition to our range that is finishing its regulatory passage in September 2011. It will be launched in the UK and with our European partners in the coming months. Our knowledge of our existing new product development pipeline and that of our European development partners is such that, for the foreseeable future, we can be confident that we can continue to bring our target of four new products to the market each year. At the same time the focus and concentration that the evolved business structure brings will allow us to improve the quality and profitability of our future development pipeline through the introduction into the veterinary medicines we develop protected technology and innovation. We are already working in some novel areas of formulation development that have significant commercial promise.

We have already reorganised the structure of our UK sales force and we will continue to develop its capabilities. We are in the process of recruiting to strengthen other areas of the business and these, along with the addition of Iain Menneer to the Main Board as Director of Marketing and our anticipated move to new premises during the course of the year, will see us well placed to perform well in what may be a difficult year. Importantly it will lay the foundations of the next steps in the development of Animalcare.

Stephen Wildridge
Chief Executive Officer

Financial Review

"The proceeds of the business disposals and strong cash flow from operations enabled us to repay in full the bank loans which were £4.46 million at 30 June 2010."

Group Overview

The Group disposed of its entire livestock division during the year, but the marginally profitable nature of the livestock division and the improving profitability in the continuing companion animal division saw the underlying profit after tax rise to £2.39 million (2010 — £2.22 million).

Earnings before interest, taxation, depreciation and amortisation ("EBITDA") for the year were £3.39 million (2010 — £3.13 million), this improvement was despite the loss of £0.09 million on the disposal of the livestock businesses.

Net financing costs for the year ended 30 June 2011 were £0.05 million (2010 — £0.15 million), reflecting the repayment in full of Group borrowings.

The proceeds of the business disposals and strong cash flow from operations enabled us to repay in full the bank loans which were £4.46 million at 30 June 2010. As a consequence, the Group moved from a net debt of £2.89 million at 30 June 2010 to net funds, being all cash on hand, of £1.18 million at 30 June 2011.

Basic underlying* earnings per share were 11.8p (2010 — 11.2p). Basic total earnings per share were 11.5p (2010 — loss of 5.2p), the prior year number including the impact of exceptional write downs in the livestock division. Fully diluted total earnings per share were 11.4p (2010 — loss of 5.2p).

The final dividend of 3.0 pence for 2010 paid in December 2010 was followed by a maiden interim dividend of 1.0 pence per share paid in June 2011.

Continuing Operations

Revenue in the year was £11.83 million (2010 — £11.22 million) and gross profit was £6.39 million (2010 — £5.96 million), representing growth of 5 and 7 per cent respectively. As previously, the main driver for this was the 8 per cent growth in licensed veterinary medicines, but revenue from services of £0.99 million (2010 — £0.88 million), principally in animal identification, also grew by 13 per cent.

Underlying* gross profit for the segment increased marginally at 54.0 per cent of revenue against 53.1 per cent in 2010, reflecting the revenue growth in our higher margin product groups.

Underlying* distribution costs rose to £0.29 million (2010 — £0.26 million) as a consequence of increased sales volumes and higher fuel costs. Underlying* administrative expenses fell to £3.05 million (2010 — £3.10 million) partially due to lower spend on new product development than in 2010. As noted in previous reports this expenditure tends by its nature to occur in an irregular pattern dependent on development programmes. Underlying* operating profit from continuing operations rose as a consequence to £3.05 million (2010 — £2.60 million).

The effective tax charge for the year for continuing operations was 23.1 per cent (2010 — 31.2 per cent), reflecting the effect of adjustments to the prior year's corporation tax expense.

EBITDA for the continuing operation was £3.27 million (2010 — £2.61 million).

Disposals

On 17 September 2010 the Company sold the business and assets of its trading division, Ritchey, and the shares of its wholly owned subsidiary, Fearing International (Stock Aids) Limited, for cash. The expected gross consideration was £3.25 million, based on the audited accounts for these businesses at 30 June 2010 and subject to completion accounting. The Group received £0.52 million as working capital inflows prior to the sale and £2.52 million in cash from the purchaser, which included an agreed reduction in the consideration of £0.20 million in respect of unanticipated difficult trading conditions and profit shortfall in a key new product. The costs of disposal were £0.09 million, producing a loss before tax of £0.12 million. All the consideration was received during the year.

On 19 November 2010 the Group sold the trade and assets of its loss making subsidiary, Travik Chemicals Limited (now Naychem Limited), for a total consideration of £0.07 million net of costs. The buyer of the business subsequently purchased the freehold of Travik's Newton Aycliffe property for £0.23 million on 24 June 2011. These disposals produced a profit before tax of £0.03 million.

The discontinued operations contributed an underlying* profit after tax of £0.15 million (2010 — £0.50 million) from trading during the period prior to disposal.

Exceptional Costs and Other Items

Other items excluded from underlying* results are amortisation of acquired intangibles £0.12 million (2010 — £0.12 million) and fair value movements on interest rate hedging £nil (2010 — £0.04 million).

There were no exceptional costs during the year. Full details of exceptional costs during the previous year, which comprised impairments and other costs related to the Ritchey and Fearing businesses, charges relating to Group reorganisation and impairments and other costs related to Travik Chemicals, can be found in note 6 to the financial statements.

Cash Flow

Net cash flow from operating activities was £2.15 million (2010 — £1.94 million). Working capital showed an outflow of £0.50 million (2010 — £0.54 million). A reduction in trade receivables of £0.57 million, due principally to reductions in Livestock trade debtors prior to disposal of the businesses was offset to some extent by strategic increases in inventories in continuing operations.

Income taxes paid were £0.80 million (2010 —£0.55 million), reflecting the increase in the Group's taxable profits. Interest payments fell to £0.11 million (2010 — £0.27 million) due to the settlement of the Group's loans and interest rate swap during the year. Net cash flow from operating activities was £2.15 million (2010 — £1.94 million).

Capital expenditure in the continuing operation was £0.15 million (2010 — £0.35 million), due to lower expenditure on intangible assets. Share proceeds generated £0.18 million (2010 — £0.17 million) with the issue of 326,195 ordinary shares in respect of approved employee share options. Dividends of £0.81 million (2010 — £0.61 million) were paid in the year.

* Underlying results are before the effect of exceptional costs and other items disclosed in note 6 to the financial statements.

Peter Warner
Chief Financial Officer

The Board

1.

1. James Lambert

Non-executive Chairman

James was appointed Chairman in October 2005 having been a non-executive director since 2003. He started Richmond Foods in 1998 leading a series of acquisitions to make Richmond the largest ice cream manufacturer by volume in the UK. Richmond exited the stock market in April 2006 when it was bought by Oaktree Capital for £176 million and merged with Roncadin. James is now running the enlarged Group.

2.

2. Stephen Wildridge

Group Chief Executive Officer

Stephen spent 16 years with Rhone–Poulenc (now Bayer Crop Science) in a variety of Sales, Marketing and Strategic Planning and General Management roles encompassing agro-chemicals, animal health and animal nutrition. Subsequently he spent five years with Monsanto as General Manager of Operations for Northern Europe and Director of Business Development Europe–Africa. He was appointed Managing Director of Animalcare Limited in 2003 developing the strategic plan and product development programme for the business.

3.

3. Peter Warner

Chief Financial Officer and Company Secretary

Peter spent eight years with Bowater (now Rexam) plc, the last five as site accountant in packaging manufacture. He was part of the team responsible for transferring the production facility to Indonesia, then spent two years as Financial Controller of an engineering subsidiary of BTR plc. In 1996 he joined VDC plc, then parent company of Animalcare Limited, as Group Accountant with responsibility for the wholesale division, becoming Financial Controller of Animalcare Limited in 2006 following the sale of the wholesale division. He became Financial Controller of Animalcare Group in July 2009.

4.

4. Iain Menneer

Director of Marketing

Iain has a PhD in chemistry from the University of Newcastle and worked in the brewing industry for six years in research at an independent brewing consultancy and then in new product and technical development roles at Bass Brewers. Subsequently, he spent two years in the Research and Innovation Office at the University of York working with academics to commercialise their research via licensing or spin-out companies. He joined Animalcare Limited in December 2003, and has worked in marketing and business development roles, notably working on the new product development pipeline. Iain has been Head of Marketing since July 2009.

5.

5. Lord Downshire

Non-executive Director

Lord Downshire has been a non-executive director since 1998. He trained as a Chartered Accountant with Touche Ross before transferring to the corporate finance department where he worked for three years on acquisitions, flotations and new ventures. Following this he worked for 13 years at Scheduling Technology Group Limited, a venture capital backed international software company, becoming Finance Director until the sale of the business in 2001. He currently farms and manages an estate in Yorkshire and holds non-executive directorships in companies operating in RFID, agricultural supplies, hotels and insurance.

Directors' Report

The directors present their annual report on the affairs of the Group together with the financial statements and auditors' report for the year ended 30 June 2011.

Principal Activities

The principal activity of the Group during the year was the development and distribution of veterinary medicines, identification and other products for companion animals. The Group disposed of its entire Livestock Division during the year.

Business Review and Future Developments

A review of the business and future developments is provided in the Chairman's Statement, Chief Executive's Review and Financial Review.

Research and Development

The Group is committed to the development of new and innovative products to meet the needs of its customers. During the year to 30 June 2011 the Group invested in developments in veterinary medicines, and in enhancements to its pet owner database.

Dividends

A final dividend of 3.0 pence per share will be proposed at the Annual General Meeting on 28 October 2011 and is proposed to be paid on 7 November 2011 to all shareholders on the share register at 14 October 2011. This will combine with a maiden interim dividend of 1.0 pence per share paid on 6 June 2011 to give a total of 4.0 pence for the year ended 30 June 2011.

Capital Structure

The Company's issued share capital as at 30 June 2011 was 20,373,711 ordinary shares of 20 pence each, each credited as fully paid.

Directors

The following directors held office during the year ended 30 June 2011 and subsequently:

J S Lambert
S M Wildridge
Lord Downshire
P O R Warner (appointed 14 October 2010)
I D Menneer (appointed 1 July 2011)
G C Rhodes (resigned 30 November 2010)
J Tobin (resigned 31 December 2010)

Details of directors' share options and long-term incentive plans are provided in note 9 to the financial statements.

The Company maintains directors' and officers' liability insurance for the benefit of its directors, which was in place throughout the year ended 30 June 2011 and remains in place at the date of this report.

Principal Risks and Uncertainties

New product development

A key element of the Group's strategy is to expand its portfolio of veterinary medicines, the success of which depends on these products meeting the required regulatory standards and achieving the necessary marketing authorisations. Rejection of applications or delays in the regulatory process could have an important impact on the Group's results. Also there can be no guarantee of the commercial success of these products following their launch. The risks of failure, rejection or delay are mitigated or reduced by the careful selection of development strategies that although they may increase initial cost or time of development reduce the likelihood of complete unexpected failure of a project. At the same time the overall risk of any one project failure having a major influence on the performance of the business is reduced by having a product development pipeline that has numerous projects within it at various stages of development.

Directors' Report

Key customers

The Group derives a substantial proportion of its revenue from a number of key customers. In the event that these relationships are lost the effect on the Group's revenue could be significant. In the UK however such an effect is likely to be temporary as the supply chain would rapidly adjust to take up the slack brought about by any catastrophic failure. Equally, as our business develops its scope into new markets the key customer base continues to grow.

Key suppliers

The Group purchases goods for resale under supply and distribution agreements with a number of key suppliers. Failure of supply under these arrangements could result in significant loss of Group revenue. We however endeavour to have where possible more than one supplier for key elements of the range and, where that is not possible, different parts of the range with different suppliers.

Retention of key employees

The Group has a small senior executive management team whose skills, knowledge and experience are key to the success of Group strategy. Loss of any of these team members could significantly affect Group performance.

Financial instruments

The Group's exposure to, and arrangements for, the management of financial risks are described in note 23 to the financial statements.

Creditor Payment Policy

It is the Group's policy to maintain good relationships with its suppliers. Suppliers are made aware of the terms of payment which are agreed with them in advance and these terms are adhered to. The number of days purchases included in trade creditors at 30 June 2011 was 48 days (2010 — 38 days).

Corporate Governance

The directors support the underlying principles of the Combined Code, notwithstanding that the Company is not required to comply with all of the Code's recommendations. The board recognises its overall responsibility for the Group's systems of internal control and their effective operation and it has sought to comply with those provisions of the Code judged appropriate for the current size and nature of the Group, being the establishment of an audit committee, a remuneration committee and a nominations committee.

Formally constituted audit, remuneration and nominations committees, with membership comprising the Company's two non-executive directors, were established on the Group's admission to AIM and are active in the conduct of internal financial control, executive performance and remuneration and board appointments.

Charitable and Political Donations

During the year the Group made charitable donations of £178 (2010 — £262). No political donations were made during the year (2010 — nil).

Employees

Applications for employment by disabled persons are given full and fair consideration. When existing employees become disabled every effort is made to provide continuing employment wherever possible.

The directors recognise the importance of good communications with employees and continue to consult and inform them on matters affecting them and the performance of the Group. Employees are provided with financial incentives related to the performance of the Group in the form of annual bonuses and participation in approved sharesave schemes.

Substantial Shareholdings

On 14 September 2011 the Company had been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the following voting rights as shareholders of the Company.

Name of holder	No. of ordinary shares	Nature of holding
Brewin Dolphin	2,564,628	12.6%
Including the beneficial shareholding of J S Lambert of 1,286,691 shares (6.3 per cent)		
Investec Wealth Management Limited	1,987,227	9.7%
Including the beneficial shareholding of S F Riddell of 675,000 shares (3.3 per cent)		
Octopus Investments	1,690,139	8.3%
Unicorn Asset Management	1,636,763	8.0%
Liontrust Asset Management	1,439,287	7.1%
Lord Downshire*	1,420,029	7.0%
Hargreave Hale	1,172,997	5.7%
Downing Corporate Finance Limited	790,368	3.9%
Williams de Broë	760,606	3.7%
N R Sale	613,400	3.0%

* Lord Downshire's interest includes a non-beneficial interest in 310,446 ordinary shares.

Going Concern

The principal risks and uncertainties facing the Group are set out on pages 9 to 10.

Following the sale of the Group's livestock businesses in the current year for cash, on 31 March 2011 the Group repaid the balance of its outstanding loan facility, which stood at £4.46 millon on 30 June 2010. The Group has an undrawn overdraft facility of £100,000 which is available for general corporate and working capital requirements. At 30 June 2011 the Group had cash on hand of £1.18 million (30 June 2010 — £1.56 million), leaving it in a net funds position. In the directors' opinion, the Group's working capital requirements can be met from operating cash flow.

Overall, the directors believe the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current committed facilities.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Auditors

Each of the persons who is a director at the date of this annual report confirms that:

- So far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- The director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

KPMG Audit Plc have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Animalcare Group plc
By order of the board,

P O R Warner
Company Secretary
19 September 2011

Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements for the year ended 30 June 2011

The directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the group and parent company financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors' Report to the Members of Animalcare Group plc

We have audited the financial statements of Animalcare Group plc for the year ended 30 June 2011 set out on pages 14 to 52. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and on terms that have been agreed. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 12 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website atwww.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2011 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:
Under the Companies Act 2006 and under the terms of our engagement we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Chris Hearld (Senior Statutory Auditor)
For and on behalf of
KPMG Audit Plc
Statutory Auditor
Chartered Accountants
1 The Embankment
Leeds
LS1 4DW

19 September 2011

Consolidated Statement of Comprehensive Income

Year ended 30 June 2011

	Note	Underlying results before exceptional and other items 2011 £'000	Exceptional and other items* 2011 £'000	Total 2011 £'000	Underlying results before exceptional and other items Restated† 2010 £'000	Exceptional and other items* Restated† 2010 £'000	Total Restated† 2010 £'000
Revenue		**11,825**	**—**	**11,825**	11,223	—	11,223
Cost of sales		**(5,435)**	**—**	**(5,435)**	(5,266)	—	(5,266)
Gross profit		**6,390**	**—**	**6,390**	5,957	—	5,957
Distribution costs		**(292)**	**—**	**(292)**	(264)	—	(264)
Administrative expenses		**(3,045)**	**(118)**	**(3,163)**	(3,096)	(401)	(3,497)
Operating profit/(loss)	6, 8	**3,053**	**(118)**	**2,935**	2,597	(401)	2,196
Finance costs	11	**(51)**	**(1)**	**(52)**	(130)	(38)	(168)
Finance income	11	**2**	**—**	**2**	16	—	16
Profit/(loss) before tax	6, 8	**3,004**	**(119)**	**2,885**	2,483	(439)	2,044
Income tax (expense)/credit	12	**(717)**	**52**	**(665)**	(761)	123	(638)
Total comprehensive income/(loss) for the year from continuing operations		**2,287**	**(67)**	**2,220**	1,722	(316)	1,406
Total comprehensive income/(loss) for the year from discontinued operations	4	**105**	**—**	**105**	499	(2,936)	(2,437)
Total comprehensive income/(loss) for the year		**2,392**	**(67)**	**2,325**	2,221	(3,252)	(1,031)
Total basic earnings/(loss) per share	14	**11.8p**		**11.5p**	11.2p		(5.2p)
Total fully diluted earnings/(loss) per share	14	**11.4p**		**11.1p**	11.0p		(5.2p)
Basic earnings per share from continuing operations	14	**11.3p**		**11.0p**	8.7p		7.1p
Fully diluted earnings per share from continuing operations	14	**11.2p**		**10.8p**	8.5p		6.9p

Total comprehensive income/(loss)for the year is attributable to the equity holders of the parent.

* In order to aid understanding of underlying business performance, the directors have presented underlying results before the effect of exceptional and other items. These exceptional and other items are analysed in detail in note 6 to these financial statements.

† During 2011 the Group disposed of the businesses and assets of its Livestock Division. The segment was not classified as held for sale or as a discontinued operation as at 30 June 2010, and the comparative consolidated statement of comprehensive income has been restated to show discontinued operations separately.

Statements of Changes in Shareholders' Equity

Year ended 30 June 2011

Group	Note	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2009		3,951	5,824	5,607	15,382
Total comprehensive loss for the year		—	—	(1,031)	(1,031)
Transactions with owners of the Company, recognised in equity:					
Dividends paid	13	—	—	(494)	(494)
Issue of share capital	26	59	107	—	166
Share-based payments		—	—	58	58
Balance at 1 July 2010		4,010	5,931	4,140	14,081
Total comprehensive income for the year		—	—	2,325	2,325
Transactions with owners of the Company, recognised in equity:					
Dividends paid	13	—	—	(812)	(812)
Issue of share capital	26	65	114	—	179
Share-based payments		—	—	16	16
Balance at 30 June 2011		4,075	6,045	5,669	15,789

Company	Note	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2009		3,951	5,824	3,980	13,755
Total comprehensive loss for the year		—	—	(1,258)	(1,258)
Transactions with owners of the Company, recognised in equity:					
Dividends paid	13	—	—	(494)	(494)
Issue of share capital	26	59	107	—	166
Share-based payments		—	—	58	58
Balance at 1 July 2010		4,010	5,931	2,286	12,227
Total comprehensive income for the year		—	—	3,570	3,570
Transactions with owners of the Company, recognised in equity:					
Dividends paid	13	—	—	(812)	(812)
Issue of share capital	26	65	114	—	179
Share-based payments		—	—	10	10
Balance at 30 June 2011		4,075	6,045	5,054	15,174

As permitted by section 408 of the Companies Act 2006, the statement of comprehensive income of the parent Company is not presented as part of these financial statements.

Balance Sheets

30 June 2011

		Group		Company	
		2011	2010	2011	2010
	Note	£'000	£'000	£'000	£'000
Non-current assets					
Goodwill	15	**12,711**	13,027	**—**	—
Other intangible assets	16	**1,820**	2,105	**—**	117
Property, plant and equipment	17	**47**	1,153	**—**	795
Investments in subsidiary companies	18	**—**	—	**14,361**	15,276
Deferred tax asset	25	**—**	—	**156**	35
		14,578	16,285	**14,517**	16,223
Current assets					
Inventories	19	**1,346**	1,815	**—**	618
Trade and other receivables	20	**1,681**	3,418	**652**	2,091
Cash and cash equivalents	20	**1,179**	1,564	**207**	224
		4,206	6,797	**859**	2,933
Total assets		**18,784**	23,082	**15,376**	19,156
Current liabilities					
Trade and other payables	21	**(1,566)**	(2,770)	**(202)**	(2,418)
Current tax liabilities		**(320)**	(479)	**—**	—
Bank overdraft and loans	22	**—**	(883)	**—**	(883)
Deferred income	24	**(182)**	(154)	**—**	—
Derivative financial instruments	23	**—**	(55)	**—**	(55)
Current liabilities		**(2,068)**	(4,341)	**(202)**	(3,356)
Net current assets/(liabilities)		**2,138**	2,456	**657**	(423)
Non-current liabilities					
Bank loans	22	**—**	(3,573)	**—**	(3,573)
Deferred income	24	**(862)**	(837)	**—**	—
Deferred tax liabilities	25	**(65)**	(250)	**—**	—
		(927)	(4,660)	**—**	(3,573)
Total liabilities		**(2,995)**	(9,001)	**(202)**	(6,929)
Net assets		**15,789**	14,081	**15,174**	12,227
Capital and reserves					
Called up share capital	26	**4,075**	4,010	**4,075**	4,010
Share premium account		**6,045**	5,931	**6,045**	5,931
Retained earnings		**5,669**	4,140	**5,054**	2,286
Equity attributable to equity holders of the parent		**15,789**	14,081	**15,174**	12,227

The financial statements of Animalcare Group plc, registered number 1058015, were approved by the board of directors and authorised for issue on 19 September 2011.

They were signed on its behalf by:

P O R Warner
Chief Financial Officer

Cash Flow Statements

Year ended 30 June 2011

		Group		Company	
		2011	2010	2011	2010
	Note	£'000	£'000	£'000	£'000
Comprehensive income/(loss) for the year before tax	12	**2,936**	(558)	**(723)**	(3,101)
Adjustments for:					
Depreciation of property, plant and equipment	17	**88**	287	**35**	165
Amortisation of intangible assets	16	**317**	308	**16**	63
Impairment of intangible assets	16	**—**	115	**—**	115
Impairment of property, plant and equipment	17	**—**	596	**—**	225
Impairment of investments	18	**—**	—	**—**	2,108
Goodwill impairment charge	15	**—**	2,227	**—**	20
Finance costs	11	**55**	175	**52**	166
Finance income	11	**(2)**	(16)	**(2)**	—
Share-based payment award		**16**	58	**10**	2
Release of deferred income	24	**53**	108	**—**	—
(Profit)/loss on disposal of property, plant and equipment		**(2)**	(16)	**—**	2
Loss on sale of businesses	5	**94**	—	**366**	—
Operating cash flows before movements in working capital		**3,555**	3,284	**(246)**	(179)
(Increase)/decrease in inventories	19	**(596)**	217	**(77)**	25
Decrease/(increase) in receivables	20	**572**	(829)	**750**	(501)
(Decrease)/increase in payables	21	**(471)**	76	**(1,745)**	840
Cash generated by operations		**3,060**	2,748	**(1,318)**	185
Income taxes (paid)/received		**(805)**	(547)	**—**	88
Interest paid		**(110)**	(265)	**(108)**	(256)
Net cash flow from operating activities		**2,145**	1,936	**(1,426)**	17
Investing activities:					
Payments to acquire intangible assets	16	**(134)**	(407)	**(1)**	(69)
Payments to acquire property, plant and equipment	17	**(18)**	(205)	**(1)**	(174)
Interest received	11	**2**	16	**2**	—
Dividends received		**—**	—	**4,072**	1,650
Receipts from sale of property, plant and equipment		**4**	20	**1**	1
Receipts from sale of businesses	5	**2,705**	—	**2,425**	—
Net cash generated by/(used in) investing activities		**2,559**	(576)	**6,498**	1,408
Financing:					
Receipts from issue of share capital		**179**	166	**179**	166
Equity dividends paid	13	**(812)**	(494)	**(812)**	(494)
Repayment of bank loans	22	**(4,456)**	(1,000)	**(4,456)**	(1,000)
Net cash used in financing activities		**(5,089)**	(1,328)	**(5,089)**	(1,328)
Net (decrease)/increase in cash and cash equivalents		**(385)**	32	**(17)**	97
Cash and cash equivalents at start of year		**1,564**	1,532	**224**	127
Cash and cash equivalents at end of year		**1,179**	1,564	**207**	224
Comprising:					
Cash and cash equivalents	20	**1,179**	1,564	**207**	224
		1,179	1,564	**207**	224

Accounts

Notes to the Accounts

Year ended 30 June 2011

1. GENERAL INFORMATION

Animalcare Group plc ("the Company") is a company incorporated in England and Wales under the Companies Act 2006 and is domiciled in the United Kingdom. The Group comprises Animalcare Group plc and its subsidiaries. The nature of the Group's operations and its principal activities are set out in note 7 and within the directors' report.

The IASB and IFRIC have issued the following standards and interpretations, with an effective date after the date of these financial statements. Their adoption, where applicable, is not expected to have a material effect on the financial statements of the Group.

International Financial Reporting Standards	Applies to periods beginning after
IAS 24 Related party disclosures (revised 2009)	January 2011
IFRS 13 Fair value measurement	May 2011
IAS 1 Presentation of Financial Statements (amended)	June 2011
IAS 19 Post-employment benefits	June 2011
IFRS 7 Amendments to Financial Instruments: Disclosures	July 2011
IAS 12 Amendment Income taxes on deferred tax	January 2012
IFRS 9 Financial Instruments	January 2013

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Group and Company financial statements have been prepared and approved by the directors under the historical cost convention, except for the revaluation of certain financial instruments, in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("adopted IFRSs") and the Companies Act 2006 as applicable to companies reporting under IFRS. They have also been prepared in accordance with the requirements of the AIM Rules.

Going concern

The principal risks and uncertainties facing the Group are set out on pages 9 to 10.

Following the sale of the Group's livestock businesses in the current year for cash, on 31 March 2011 the Group repaid the balance of its outstanding loan facility, which stood at £4.46 millon on 30 June 2010. The Group has an undrawn overdraft facility of £100,000 which is available for general corporate and working capital requirements. At 30 June 2011 the Group had cash on hand of £1.18 million (30 June 2010 — £1.56 million), leaving it in a net funds position. In the directors' opinion, the Group's working capital requirements can be met from operating cash flow.

Overall, the directors believe the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current committed facilities.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 June each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Discontinued operations

The Livestock businesses were disposed of during the year and represent a discontinued operation as defined in IFRS 5 *Non-Current Assets held for sale 9 and Discontinued Operations*. As a result the Statement of Comprehensive Income has been restated as if the Livestock businesses had been discontinued from 1 July 2009 (see note 4).

Business combinations

The acquisition of subsidiaries and other businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Costs directly attributable to the business combination are expensed. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (revised) are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Exceptional and other items

Exceptional items are material items of income or expense which, because of their nature and the expected frequency of the events giving rise to them, merit separate disclosure.

Other items relate to the amortisation of acquired intangible assets, fair value movements on interest rate hedging and impairment of goodwill.

The separate presentation of exceptional and other items enables the users of the accounts to better understand the elements of financial performance during the year and hence to better assess trends in that financial performance.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in comprehensive income and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGUs) expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the CGU may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the CGU pro rata on the basis of the carrying amount of each asset in the CGU. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Notes to the Accounts

Year ended 30 June 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS (1 July 2004) has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Intangible assets

The Group recognises intangible assets at cost less accumulated amortisation and impairment losses. Intangible assets arise both as a result of applying IFRS 3 which requires the separate recognition of intangible assets from goodwill on all business combinations from 1 January 2004, and from the purchase of software (that is separable from any associated hardware), and development machinery and from research and development (see below).

Intangible assets are amortised on a straight-line basis over their useful economic lives as follows:

Customer relationships	10 years
Brands	15 years
Software	Useful life of the software
Research and development	Estimated economic life, normally 4–5 years

The useful life of software is currently estimated to be 2–4 years.

Internally generated intangible assets — research and development expenditure

Expenditure on research activities is recognised as an expense in the year in which it is incurred.

An internally generated intangible asset arising from the Group's product development is recognised only if all of the following conditions are met:

— an asset is created that can be identified (such as software and new processes);
— it is probable that the asset created will generate future economic benefits; and
— the development cost of the asset can be measured reliably.

Internally generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the year in which it is incurred.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Revenue from the sale of goods is recognised when the risks and rewards of ownership are transferred which is generally when goods are delivered.

Income received in relation to long-term service contracts is deferred and subsequently recognised over the life of the relevant contracts. Further details are contained in note 24.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying value.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in comprehensive income in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

Foreign currencies

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in comprehensive income for the year.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transaction with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Chief Executive Officer include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly central Group administration costs, interest, taxation, and bank loans.

Notes to the Accounts

Year ended 30 June 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Dividends

Dividends paid are recognised within the Statement of Changes in Equity only when an obligation to pay the dividend arises prior to the year end.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payment. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 January 2005.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of such equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market based vesting conditions (with a corresponding movement in equity).

Fair value is measured by use of the Black–Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Land and buildings and other assets held for use in the production or supply of goods and services or for administrative purposes, fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Other than for land, which is not depreciated, depreciation is charged so as to write off the cost of assets, less their estimated residual value, over their estimated useful lives, as follows:

Straight-line

Freehold Buildings	50 years
Leasehold improvements	10 years
Plant and equipment	4 to 7 years
Office furniture and equipment	3 to 5 years
Motor vehicles	4 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income as incurred.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation outstanding at the balance sheet date, and are discounted to present value where the effect is material.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (CGU) in prior years. A reversal of an impairment loss is recognised as income immediately.

Notes to the Accounts

Year ended 30 June 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in comprehensive income when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Investments

Investments in Group companies are stated at cost less provisions for impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits repayable on demand, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in comprehensive income using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Derivative financial instruments

The Group uses derivative financial instruments including interest rate swaps to hedge its exposure to interest rate risks arising from operational and financial activities. The Group does not hold any derivative financial instruments for trading purposes. However, derivative financial instruments that do not qualify for hedge accounting are accounted for as trading instruments.

Hedge accounting is not adopted and therefore the movement on re-measurement to fair value is recognised immediately as part of finance income or finance costs in the Consolidated Statement of comprehensive income. Derivatives not designated into an effective hedge relationship are classified as a current asset or current liability. Fair value movements on interest rate hedging are included within "exceptional and other items" on the face of the statement of comprehensive income.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Capitalised research & development expenditure

It is the Group's policy to capitalise development expenditure and to amortise this expenditure over the estimated life of the asset. Expenditure incurred to date relates primarily to the following:

— certain costs associated with preparing regulatory dossiers in support of applications for generic veterinary medicine Marketing Authorisations.

The directors have adjudged these costs to meet the relevant criteria of IAS 38 "Intangible Assets".

Capitalised software expenditure

The Group has historically capitalised software projects and developments. Expenditure on a bespoke web based system, designed to facilitate online ordering of its products, is currently capitalised in the Group's financial statements as the directors have adjudged it to meet the relevant criteria.

The rate of depreciation on capitalised software is set so as to reflect the pattern of usage and the level of pace of change within the global information technology market.

Key sources of estimation uncertainty

Impairment of non-current assets

Determining whether a non-current asset is impaired requires an estimation of the "value in use" and/or the "fair value less costs to sell" of the cash-generating units ("CGUs") to which the non-current asset has been allocated. The value in use calculation requires an estimate of the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. The key assumptions for these value in use calculations are those regarding discount rates, growth rates and expected changes to selling prices and direct costs. The directors estimate the discount rates using the pre-tax rates that reflect the current market assessments of the time value of money and the risks specific to the CGU. In the current year the directors estimated the applicable rate to be 12 per cent (2010 — 12 per cent). The directors' sensitivity analysis indicates that the headroom in the impairment test of 12 per cent is robust to significant changes in discount factors.

The Group prepares cash flow forecasts derived from the most recent financial budgets and projections approved by management for the next three years, thereafter assuming an estimated growth rate of 1.0% (2010 — 2.0%). The growth rates for the three year period covered by financial budgets and projections prepared by management are based on the current performance of the existing product portfolio and the contribution from new products, currently in development, which will be launched in the short-term. The directors believe that the long-term growth rate does not exceed the average long-term growth rate for the relevant markets.

Impairment of slow moving and obsolete inventory

The Group performs an annual stockholding review to determine any slow moving or obsolete lines and accordingly makes provision in its financial statements for writing down or writing off the value of such lines in order to reflect the true value of its stock.

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Year ended 30 June 2011

4. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME — DISCONTINUED OPERATIONS

On 17 September 2010 the Company disposed of the business and assets of its trading division, Ritchey, and the shares of its wholly owned subsidiary Fearing International (Stock Aids) Limited. On 17 November 2010 the Group sold the trade and certain assets of its loss making subsidiary Travik Chemicals Limited (now Naychem Limited). These sales comprised the whole of the Group's Livestock Division.

	Note	Total 2011 £'000	Underlying results before exceptional and other items 2010 £'000	Exceptional and other items* 2010 £'000	Total 2010 £'000
Revenue		**2,038**	8,698	—	8,698
Cost of sales		**(923)**	(3,965)	(181)	(4,146)
Gross profit/(loss)		**1,115**	4,733	(181)	4,552
Distribution costs		**(84)**	(367)	—	(367)
Administrative expenses		**(883)**	(3,822)	(2,958)	(6,780)
Operating profit/(loss)	6, 8	**148**	544	(3,139)	(2,595)
Finance costs		**(3)**	(7)	—	(7)
Profit/(loss) before tax	6, 8	**145**	537	(3,139)	(2,602)
Income tax (expense)/credit		**(7)**	(38)	203	165
Profit/(loss) after tax for the period from discontinued operations		**138**	499	(2,936)	(2,437)
Loss on sale of discontinued operations	5	**(94)**	—	—	—
Income tax credit on loss on sale of discontinued operations		**61**	—	—	—
Total comprehensive (loss)/profit for the period from discontinued operations		**105**	499	(2,936)	(2,437)

* In order to aid understanding of underlying business performance, the directors have presented underlying results before the effect of exceptional and other items. Underlying measures exclude, where applicable, amortisation of acquired intangibles, impairment of goodwill, fair value movements on interest hedging, impairments to current and non-current assets and other charges relating to Group reorganisation. These exceptional and other items are analysed in detail in note 6 to these financial statements. There were no exceptional or other items relating to discontinued operations during the year ended 30 June 2011.

5. DISPOSAL OF BUSINESSES

	Ritchey & Fearing 2011 £'000	Travik 2011 £'000	Total 2011 £'000
Consideration and Costs			
Cash consideration	2,520	299	**2,819**
Costs	(95)	(18)	**(114)**
	2,425	280	**2,705**
Assets and liabilities disposed of:			
Goodwill	316	—	**316**
Other intangible assets	102	—	**102**
Property, plant and equipment	807	227	**1,034**
Inventories	1,026	39	**1,065**
Trade and other receivables	1,165	—	**1,165**
Trade and other payables	(733)	—	**(733)**
Income tax payable	(29)	—	**(29)**
Deferred taxation	(110)	(11)	**(121)**
Net assets sold	2,544	255	**2,799**
(Loss)/profit on sale of businesses	(119)	25	**(94)**
Net cash flow from operating activities	200	(336)	**(136)**
Net cash used in investing activities	(3)	—	**(3)**
Net cash used in financing activities	(180)	—	**(180)**

Notes to the Accounts

Year ended 30 June 2011

6. EXCEPTIONAL AND OTHER ITEMS

In early 2010 the Group undertook a strategic review of its Livestock Division activities, given its financial performance and the ongoing challenges it faced in the market. This review resulted in the directors forming the view that the fair value less costs to sell of the Livestock division exceeded the value in use,and that an impairment charge was necessary. These considerations resulted in exceptional charges for 2010.

	Note	2011 £'000	2010 £'000
Charges relating to the reorganisation of the Group			
Aborted group relocation costs		–	69
Executive severance payments		–	212
		–	281
Impairments and other charges relating to the Ritchey and Fearing businesses			
Impairment of goodwill	15	–	2,165
Impairment of other intangible assets	16	–	115
Impairment of property, plant and equipment	17	–	225
Other charges		–	59
		–	2,564
Impairments and restructuring charges relating to the Travik Chemicals business			
Impairment of goodwill	15	–	62
Impairment of property, plant and equipment	17	–	371
Inventory provisions		–	181
Release of contingent consideration		–	(39)
		–	575
Total exceptional items		–	3,420
Amortisation of acquired intangible assets	16	**118**	120
Fair value movements on interest rate hedging	11	**1**	38
Other items		**119**	158
Total exceptional and other items		**119**	3,578

The charges relating to the reorganisation of the Group and the other items relate to continuing operations, the remainder to discontinued operations.

7. REVENUE AND OPERATING SEGMENTS

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker to allocate resources to the segments and to assess their performance. The Chief Operating Decision Maker is considered to be the Chief Executive Officer of Animalcare Group plc.

The Group comprised two segments, Companion Animal and Livestock (discontinued).

The Chief Operating Decision Maker receives and reviews segmental operating profit.

Intersegment transactions are undertaken in the ordinary course of business.

The Board considers that certain items are cross divisional in nature and cannot be allocated between the segments on a meaningful basis. The administrative costs of central group management are presented as unallocated in the following tables, as this entity has trading relationships with companies in both the segments.

Net funding costs and taxation are treated as unallocated reflecting the nature of the Group's borrowing facilities and its tax group.

Each segment is shown net of intercompany transactions and balances within that segment. The eliminations remove intercompany transactions and balances between the segments.

Principal activities were as follows:

The Companion Animal Division supplies and distributes veterinary medicines, identification and other welfare products to veterinary markets; and

The Livestock Division manufactured and distributed livestock identification and welfare products to agricultural merchants, retailers and farmers. Following disposals during the year the whole of the Livestock Division is a discontinued operation.

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Year ended 30 June 2011

7. REVENUE AND OPERATING SEGMENTS (continued)

2011	Note	Companion Animal (continuing) 2011 £'000	Livestock (dis-continued) 2011 £'000	Eliminations 2011 £'000	Segment Total 2011 £'000	Unallocated 2011 £'000	Total 2011 £'000
Revenue							
External sales		**11,812**	**2,038**	**—**	**13,850**	**—**	**13,850**
Inter-segment sales		**13**	**—**	**(13)**	**—**		**—**
Total revenue		**11,825**	**2,038**	**(13)**	**13,850**	**—**	**13,850**
Gross profit		**6,390**	**1,115**	**—**	**7,505**	**—**	**7,505**
Underlying operating profit/(loss)		**3,426**	**148**	**—**	**3,574**	**(373)**	**3,201**
Other items	6	**(118)**	**—**	**—**	**(118)**	**—**	**(118)**
Operating profit — discontinued operations	4						**(148)**
Operating profit							**2,935**
Finance income	11						**2**
Finance costs	11						**(52)**
Profit before tax							**2,885**

2010	Note	Companion Animal (continuing) 2010 £'000	Livestock (dis-continued) 2010 £'000	Eliminations 2010 £'000	Segment Total 2010 £'000	Unallocated 2010 £'000	Total 2010 £'000
Revenue							
External sales		11,156	8,765	—	19,921	—	19,921
Inter-segment sales		67	4	(71)	—		—
Total revenue		11,223	8,769	(71)	19,921	—	19,921
Gross profit		5,957	4,733	—	10,690	—	10,690
Underlying operating profit/(loss)		2,873	545	—	3,418	(276)	3,142
Other items	6	(120)	—	—	(120)	—	(120)
Exceptional items	6	—	(3,139)	—	(3,139)	(281)	(3,420)
Operating profit — discontinued operations	4						(545)
Exceptional items — discontinued operations	4						3,139
Operating profit							2,196
Finance income	11						16
Finance costs	11						(168)
Profit before tax							2,044

7. REVENUE AND OPERATING SEGMENTS (continued)

2011	Note	Companion Animal (continuing) 2011 £'000	Livestock (dis-continued) 2011 £'000	Eliminations 2011 £'000	Segment Total 2011 £'000	Unallocated 2011 £'000	Total 2011 £'000
Products and Services							
Licensed veterinary		**5,784**	**—**	**—**	**5,784**	**—**	**5,784**
Animal identification		**3,232**	**907**	**(13)**	**4,126**	**—**	**4,126**
Animal welfare		**2,809**	**916**	**—**	**3,725**	**—**	**3,725**
Other		**—**	**215**	**—**	**215**	**—**	**215**
		11,825	**2,038**	**(13)**	**13,850**	**—**	**13,850**
Other information							
Intangible asset additions	16	**134**	**—**	**—**	**134**	**—**	**134**
Property, plant and equipment additions	17	**16**	**3**	**—**	**19**	**—**	**19**
Depreciation and amortisation	16,17	**333**	**72**	**—**	**405**	**—**	**405**
Consolidated assets		**18,784**	**—**	**—**	**18,784**	**—**	**18,784**
Consolidated liabilities		**(2,995)**	**—**	**—**	**(2,995)**	**—**	**(2,995)**
Consolidated net assets		**15,789**	**—**	**—**	**15,789**	**—**	**15,789**

2010	Note	Companion Animal (continuing) 2010 £'000	Livestock (dis-continued) 2010 £'000	Eliminations 2010 £'000	Segment Total 2010 £'000	Unallocated 2010 £'000	Total 2010 £'000
Products and Services							
Licensed veterinary		5,373	—	—	5,373	—	5,373
Animal identification		2,980	3,903	(67)	6,816	—	6,816
Animal welfare		2,870	3,943	(4)	6,809	—	6,809
Other		—	923	—	923	—	923
		11,223	8,769	(71)	19,921	—	19,921
Other information							
Intangible asset additions	16	338	69	—	407	—	407
Property, plant and equipment additions	17	8	197	—	205	—	205
Depreciation and amortisation	16,17	296	299	—	595	—	595
Impairment of intangible assets	16	—	115	—	115	—	115
Impairment of property, plant and equipment	17	—	159	—	159	—	159
Goodwill impairment charge	6	—	2,227	—	2,227	—	2,227
Consolidated assets		19,439	4,731	(1,088)	23,082	—	23,082
Consolidated liabilities		(3,119)	(2,514)	1,088	(4,545)	(4,456)	(9,001)
Consolidated net assets		16,320	2,217	—	18,537	(4,456)	14,081

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Year ended 30 June 2011

7. REVENUE AND OPERATING SEGMENTS (continued)

Key customers	2011	2010
Number	**3**	3
Percentage of total revenue	**86%**	84%

Key customers, all within the Companion Animal segment, are those responsible for 10% or more of segmental revenue.

	2011 £'000	2010 £'000
Geographical market		
United Kingdom	**12,879**	18,061
Other European countries	**984**	1,706
Americas	**—**	41
Australia	**—**	2
Rest of the World	**—**	11
	13,863	19,921

All the Group's assets are wholly located in the United Kingdom and accordingly no geographical analysis of assets and liabilities is presented.

An analysis of total Group revenue is as follows:

	2011 £'000	2010 £'000
Revenue from sale of goods	**12,873**	19,045
Revenue from provision of services	**990**	876
	13,863	19,921
Finance income	**2**	16
	13,865	19,937

8. TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR

	2011 £'000	2010 £'000
Total comprehensive income/(loss) for the year has been arrived at after charging/(crediting):		
Cost of inventories recognised as expense	**6,309**	9,128
Depreciation of tangible assets	**88**	287
Amortisation of developed intangible assets	**317**	188
Research and development	**86**	187
Operating lease rentals	**185**	250
Profit on disposal of tangible assets	**(2)**	(16)
Loss on sale of businesses	**94**	—
Foreign exchange (gains)/losses	**(12)**	46
Decrease in provision for receivables	**(13)**	(35)
(Decrease)/Increase in provision for inventories	**(143)**	104

The above items are those charged/(credited) to total comprehensive income only. Full details on items charged/(credited) to exceptional and other items are contained in note 6.

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Year ended 30 June 2011

8. TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR (continued)

The analysis of remuneration paid to the Company's auditors is as follows:

	2011 £'000	2010 £'000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**18**	15
Fees payable to the Company's auditors for other services to the Group	**15**	—
The audit of the Company's subsidiaries pursuant to legislation	**16**	19
Total audit fees	**49**	34
Tax services	**9**	15
Other services	**12**	—
Total non-audit fees	**21**	15
Total auditors' remuneration	**70**	49

9. DIRECTORS' REMUNERATION AND INTERESTS

Emoluments

The various elements of remuneration received by each director were as follows:

Year ended 30 June 2011	Salary £'000	Bonus £'000	Company pension contributions £'000	Benefits £'000	Compensation for loss of office £'000	Total £'000
J S Lambert*	**30**	**—**	**—**	**—**	**—**	**30**
Lord Downshire*	**20**	**—**	**—**	**2**	**—**	**22**
S M Wildridge	**143**	**26**	**16**	**—**	**—**	**185**
P O R Warner (appointed 13 October 2010)	**61**	**18**	**5**	**1**	**—**	**85**
G C Rhodes* (resigned 30 November 2010)	**9**	**—**	**—**	**1**	**—**	**10**
J Tobin (resigned 31 December 2010)	**43**	**—**	**21**	**—**	**35**	**99**
Total	**306**	**44**	**42**	**4**	**35**	**431**
Year ended 30 June 2010						
J S Lambert*	30	—	—	—	—	30
Lord Downshire*	20	—	—	1	—	21
S M Wildridge	103	19	18	—	—	140
G C Rhodes*	20	—	—	2	—	22
S F Riddell (resigned 31 March 2010)	82	19	10	—	135	246
J Tobin	93	11	8	2	—	114
Total	348	49	36	5	135	573

* Indicates non-executive directors.

All Company pension contributions relate to defined contribution pension schemes. Benefits consisted of private medical insurance. Compensation for loss of office was paid in cash.

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Year ended 30 June 2011

9. DIRECTORS' REMUNERATION AND INTERESTS (continued)

Share options

The directors had the following beneficial options:

S M Wildridge

Scheme	EMI	Unapproved	Unapproved	Unapproved	Total
Exercise Price	£0.575	£0.575	£0.575	£0.975	
Date of Grant	02 July 2008	02 July 2008	03 July 2008	09 July 2009	
Outstanding at 1 July 2009	200,000	100,000	100,000	—	400,000
Granted during the year	—	—	—	100,000	100,000
Outstanding at 30 June 2010	200,000	100,000	100,000	100,000	500,000
Exercised during the year	(110,500)	—	—	—	(110,500)
Outstanding at 30 June 2011	89,500	100,000	100,000	100,000	389,500

J Tobin

Scheme	EMI	Total
Exercise Price	£0.975	
Date of Grant	28 Sept 2009	
Granted during the year	50,000	50,000
Outstanding at 30 June 2010	50,000	50,000
Lapsed during the year	(50,000)	(50,000)
Outstanding at 30 June 2011	—	—

P O R Warner

Scheme	EMI	SAYE	EMI	Total
Exercise Price	£0.575	£0.440	£0.975	
Date of Grant	02 July 2008	19 Aug 2008	09 July 2009	
On appointment	5,000	1,709	5,000	11,709
Exercised during the year	(5,000)	—	—	(5,000)
Outstanding at 30 June 2011	—	1,709	5,000	6,709

The directors' interests in the shares of the Company as at 30 June are set out below.

	Ordinary shares of 20p 2011	Ordinary shares of 20p 2010
J S Lambert	**1,286,691**	1,196,691
Lord Downshire	**1,019,583**	1,109,583
S M Wildridge	**129,568**	319,068
P O R Warner	**5,000**	n/a

In addition to the above, Lord Downshire had a non-beneficial interest in 310,446 shares.

G C Rhodes, who resigned as a director on 30 November 2010, had interests in 582,000 shares of the Company at 30 June 2010.

10. STAFF COSTS

	2011 No.	2010 No.
Number of employees		
The average monthly number of employees (including directors) during the year was:		
Production and distribution	**13**	39
Selling and administration	**70**	113
	83	152

	2011 £'000	2010 £'000
Related costs		
Wages and salaries	**2,015**	3,485
Social security costs	**196**	360
Other pension costs	**99**	129
	2,310	3,974

11. FINANCE COSTS AND FINANCE INCOME

	Note	2011 £'000	2010 £'000
Interest expense on financial liabilities held at amortised cost:			
Bank interest		**54**	137
Fair value losses on financial instruments*	23	**1**	38
Finance costs		**55**	175
Other net finance income			
Interest income on bank deposits		**(2)**	(16)
Finance income		**(2)**	(16)
Net finance costs		**53**	159

Finance costs above include the following amounts relating to discontinued operations:		
Bank interest	**3**	7

* Finance costs arising from derivatives held at fair value through profit and loss relate to fair value movements on the Group interest rate swap. The costs are included within "other items" on the face of the statement of comprehensive income.

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12. INCOME TAX EXPENSE

	Note	2011 £'000	2010 £'000
The income tax expense/(credit) comprises:			
Current tax expense		**728**	712
Adjustment in the current year in relation to prior years		**(53)**	(25)
		675	687
The deferred tax credit comprises:			
Origination and reversal of temporary differences	25	**(64)**	(214)
Adjustment in the current year in relation to prior years	25	**—**	—
		(64)	(214)
Total tax expense for the year		**611**	473
The total tax expense for the year comprises:			
Income tax expense in the statement of comprehensive income		**665**	638
Income tax expense/(credit) on discontinued operations	4	**7**	(165)
Income tax credit on loss on sale of discontinued operations	4	**(61)**	—
Total tax expense for the year		**611**	473
The total tax charge can be reconciled to the accounting profit as follows:			
Total comprehensive income/(loss) for the year		**2,325**	(1,031)
Total tax expense		**611**	473
Profit before tax		**2,936**	(558)
Income tax calculated at 27.5% (2010 — 28%)		**807**	(156)
Effect of expenses not deductible		**3**	26
Effect of share-based deductions		**(80)**	(51)
Effect of goodwill impairments not deductible		**—**	623
Effect of reduction in deferred tax rate from 28% to 26%		**(32)**	(5)
Effect of unprovided temporary differences		**(2)**	61
Effect of write back of deferred tax liabilities		**(32)**	—
Effect of adjustments to the income tax expense of earlier years		**(53)**	(25)
		611	473

The tax credit of £52,000 (2010 — £326,000) shown within "exceptional and other items" on the face of the statement of comprehensive income relates to the amortisation of acquired intangibles, fair value movements on interest rate hedging, impairments to non-current assets and other charges relating to Group reorganisation, details of which are contained in note 6.

During the year the Group has reflected the change in the enacted tax rate from 28 per cent to 26 per cent, which is effective from 1 April 2011. The Government has also indicated that it intends to enact future reductions in the main tax rate of 1 per cent each year down to 23 per cent by 1 April 2014. A further reduction in the rate to 25 per cent was substantively enacted on 5 July 2011. The future 1 per cent main tax rate reductions are not expected to have a material impact on the financial statements.

13. DIVIDENDS

	2011 £'000	2010 £'000
Ordinary final dividend paid for the year ended 30 June 2010	**609**	494
Ordinary interim dividend paid for the year ended 30 June 2011	**203**	—
	812	494

The final dividend paid during the year ended 30 June 2011 was 3.0 pence per share (2010 — 2.5 pence per share). The interim dividend paid during the year ended 30 June 2011 was 1.0 pence per share (2010 — nil).

The proposed final dividend is subject to approval from shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

14. EARNINGS PER SHARE

Basic earnings/(loss) per share amounts are calculated by dividing the total comprehensive income/(loss) for the year attributable to ordinary equity holders of the Company by the weighted average number of fully paid ordinary shares outstanding during the year.

The dilutive effect of share options is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The only dilutive potential ordinary shares of the Company are share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options.

The following income and share data was used in the earnings per share computations:

	Underlying earnings before exceptional and other items 2011 £'000	Underlying earnings before exceptional and other items 2010 £'000	Total earnings 2011 £'000	Total (loss)/ earnings 2010 £'000
Total comprehensive income/(loss) attributable to equity holders of the Company	**2,392**	2,221	**2,325**	(1,031)
Total comprehensive income from continuing operations attributable to equity holders of the Company	**2,287**	1,722	**2,220**	1,406
Total comprehensive income/(loss) from discontinued operations attributable to equity holders of the Company	**105**	499	**105**	(2,437)

	2011 No.	2010 No.	2011 No.	2010 No.
Basic weighted average number of shares	**20,225,635**	19,870,419	**20,225,635**	19,870,419
Dilutive potential ordinary shares	**239,891**	348,218	**239,891**	348,218
Fully diluted weighted average number of shares	**20,465,526**	20,218,637	**20,465,526**	20,218,637

Total earnings/(loss) per share:				
Basic	**11.8p**	11.2p	**11.5p**	(5.2p)
Fully diluted	**11.7p**	11.0p	**11.4p**	(5.2p)
Earnings per share from continuing operations:				
Basic	**11.3p**	8.7p	**11.0p**	7.1p
Fully diluted	**11.2p**	8.5p	**10.8p**	7.0p
Earnings/(loss) per share from discontinued operations:				
Basic	**0.5p**	2.5p	**0.5p**	(12.3p)
Fully diluted	**0.5p**	2.5p	**0.5p**	(12.3p)

The potential ordinary shares in the previous year did not increase the loss per share.

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15. GOODWILL

	Group £'000	Company £'000
Cost		
At 1 July 2010 and 1 July 2009	15,949	715
Disposals	(3,238)	(715)
At 30 June 2011	12,711	—
Accumulated impairment losses		
At 1 July 2009	695	695
Impairment losses for the year	2,227	20
At 30 June 2010	2,922	715
Disposals	(2,922)	(715)
At 30 June 2011	—	—
Net book value		
At 30 June 2011	12,711	—
At 30 June 2010	13,027	—

The carrying amount of Group goodwill is allocated as follows:

	2011 £'000	2010 £'000
Companion Animal	12,711	12,711
Livestock	—	316
Goodwill	12,711	13,027

The directors modelled a range of different scenarios by applying sensitivities to both the cash flow assumptions and the discount rate. Based on this sensitivity analysis there is significant headroom between the value in use calculation and the carrying value of the cash generating unit ("CGU").

The impairment test of the goodwill allocated to the Companion Animal segment was based on value in use. The value in use was determined by discounting the future cash flows to be generated from the continuing use of the CGU.

The Group prepares cash flow forecasts derived from the most recent financial budgets and projections approved by management for the next three years and thereafter assuming an estimated annual growth rate of 1.0 per cent (2010 — 2.0 per cent).

The financial budgets and projections are based on past experience and actual operating results. The growth rates for the three year period are based on current performance of the existing product portfolio and the contribution from new products currently in development which will be launched in the short term. The directors consider the growth rate to be modest based on historical performance. The directors believe that the long-term growth rate does not exceed the average long-term growth rate for the UK economy.

The directors estimate the discount rates using the pre-tax rates that reflect the current market assessments of the time value of money and the risks specific to the CGU. In the current year the directors estimated the applicable rate to be 12 per cent (2010 — 12 per cent). The directors' sensitivity analysis indicates that the headroom in the impairment test at 12 per cent is robust to significant changes in discount factors.

The impairment recognised in the prior year of £2,227,000 related entirely to the Livestock segment. The recoverable amount was calculated based on fair value less cost to sell. The estimate of fair value was substantiated by reference to the subsequently agreed disposal proceeds.

16. OTHER INTANGIBLE ASSETS

Group	Acquired brands and customer relationships £'000	New product development costs £'000	Capitalised software £'000	Total £'000
Cost				
At 1 July 2009	1,361	947	245	2,553
Additions	—	407	—	407
Reclassification to tangible assets	—	(18)	—	(18)
Disposals	—	—	(36)	(36)
At 1 July 2010	1,361	1,336	209	2,906
Additions	—	92	42	134
Sale of business	—	(200)	(210)	(410)
At 30 June 2011	1,361	1,228	41	2,630
Amortisation				
At 1 July 2009	177	97	140	414
Charge for the year	120	138	50	308
Impairment*	—	115	—	115
Disposals	—	—	(36)	(36)
At 1 July 2010	297	350	154	801
Charge for the year	118	188	11	317
Sale of business	—	(145)	(163)	(308)
Disposals	—	—	—	—
At 30 June 2011	415	393	2	810
Carrying value				
At 30 June 2011	946	835	39	1,820
At 30 June 2010	1,064	986	55	2,105

Veterinary medicine product development costs are amortised over 5 years, acquired brands are amortised over 15 years and acquired customer relationships are amortised over 10 years. The amortisation period for capitalised software relating to the bespoke online ordering system was four years.

Tooling with a cost and net book value of £18,000 previously classified as an intangible asset was reclassified during 2010 as property, plant and equipment.

* The impairment charge related to development costs incurred on the Company's livestock ear tag applicator and EID tagging system developments and was treated as an exceptional cost in 2010. Further details are contained in note 6.

Notes to the Accounts

Year ended 30 June 2011

16. OTHER INTANGIBLE ASSETS (continued)

Company	Product development costs £'000	Capitalised software £'000	Total £'000
Cost			
At 1 July 2009	131	245	376
Additions	14	55	69
Disposals	—	(36)	(36)
At 1 July 2010	145	264	409
Additions	—	1	1
Sale of Business	(145)	(265)	(410)
At 30 June 2011	—	—	—
Amortisation			
At 1 July 2009	10	140	150
Charge for the year	13	50	63
Impairment*	115		115
Disposals	—	(36)	(36)
At 1 July 2010	138	154	292
Charge for the year	7	9	16
Sale of Business	(145)	(163)	(308)
At 30 June 2011	—	—	—
Carrying value			
At 30 June 2011	—	—	—
At 30 June 2010	7	110	117

* The impairment charge related to development costs incurred on the Company's livestock ear tag applicator and EID tagging system developments and has been treated as an exceptional cost in 2010. Further details are contained in note 6.

17. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings £'000	Leasehold improvements £'000	Plant and equipment £'000	Office furniture and equipment £'000	Motor Vehicles £'000	Total £'000
Cost						
At 1 July 2009	1,268	73	1,717	627	65	3,750
Additions	—	—	158	47	—	205
Reclassification from intangible assets	—	—	18	—	—	18
Disposals	—	—	(19)	(124)	(14)	(157)
At 1 July 2010	1,268	73	1,874	550	51	3,816
Additions	—	—	10	8	—	18
Sale of businesses	(1,268)	(73)	(1,821)	(480)	(19)	(3,661)
Disposals	—	—	—	—	(9)	(9)
At 30 June 2011	—	—	63	78	23	164
Depreciation						
At 1 July 2009	301	38	1,215	353	26	1,933
Impairment*	32	8	118	104	25	287
Charge for the year	276	—	265	55	—	596
On disposals	—	—	(15)	(125)	(13)	(153)
At 1 July 2010	609	46	1,583	387	38	2,663
Charge for the year	8	1	36	35	8	88
Sale of businesses	(617)	(47)	(1,589)	(357)	(17)	(2,627)
On disposals	—	—	—		(7)	(7)
At 30 June 2011	—	—	30	65	22	117
Net book value						
At 30 June 2011	—	—	33	13	1	47
At 30 June 2010	659	27	291	163	13	1,153

Tooling with a cost and net book value of £18,000 previously classified as an intangible asset was reclassified during 2010 as property, plant and equipment.

* The impairment charge has been treated as an exceptional cost in 2010. Further details are contained in note 6.

Notes to the Accounts

Year ended 30 June 2011

17. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Freehold land and buildings £'000	Plant and equipment £'000	Office furniture and equipment £'000	Motor Vehicles £'000	Total £'000
Cost					
At 1 July 2009	718	1,455	470	8	2,651
Additions	—	144	30	—	174
Disposals	—	(18)	(91)	—	(109)
At 1 July 2010	718	1,581	409	8	2,716
Additions	—	—	1	—	1
Sale of Business	(718)	(1,581)	(410)	(8)	(2,717)
At 30 June 2011	—	—	—	—	—
Depreciation					
At 1 July 2009	268	1,117	247	5	1,637
Charge for the year	21	68	73	3	165
Impairment*	—	170	55	—	225
On disposals	—	(13)	(93)	—	(106)
At 1 July 2010	289	1,342	282	8	1,921
Charge for the year	3	15	17	—	35
Sale of Business	(292)	(1,357)	(299)	(8)	(1,956)
At 30 June 2011	—	—	—	—	—
Net book value					
At 30 June 2011	—	—	—	—	—
At 30 June 2010	429	239	127	—	795

* The impairment charge was treated as an exceptional cost during 2010. Further details are contained in note 6.

18. INVESTMENTS IN SUBSIDIARIES

Subsidiary undertakings

	2011 £'000	2010 £'000
At 1 July 2010 and 1 July 2009	**17,384**	17,384
Disposals	**(3,023)**	—
At 30 June	**14,361**	17,384
Accumulated impairment losses		
At 1 July 2010 and 1 July 2009	**2,108**	—
Impairment losses for the year	**—**	2,108
Disposals	**(2,108)**	—
At 30 June	**—**	2,108
Net book value		
At 30 June	**14,361**	15,276

18. INVESTMENTS IN SUBSIDIARIES (continued)

The disposal relates to Fearing International (Stock Aids) Limited which was sold in September 2010. The estimate of fair value less costs to sell for this business was substantiated by reference to the disposal proceeds as disclosed in note 5. The impairment charge related to the Company's investments in Fearing International (Stock Aids) Limited and Naychem Limited (formerly Travik Chemicals Limited) The impairments were calculated based on the recoverable amount determined as estimated fair value less costs to sell.

The principal subsidiary undertakings of the Company are summarised below. The companies listed include all those which principally affected the earnings and assets of the Group.

	Country of registration or incorporation	Class	Shares held %
Animalcare Limited	England	Ordinary	100
Naychem Limited	England	Ordinary	100

The principal activity of these undertakings for the last financial year was as follows:

	Principal activity
Animalcare Limited	Sale of companion animal products and services
Naychem Limited (formerly Travik Chemicals Limited)	Manufacture and sale of liquid cleaning products

On 17 September 2010 the Company disposed of the shares of Fearing International (Stock Aids) Limited. On 17 November 2010 the Company disposed of the trade and certain assets of Naychem Limited.

19. INVENTORIES

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Raw materials and consumables	**—**	188	**—**	153
Finished goods and goods for resale	**1,346**	1,687	**—**	525
	1,346	1,875	**—**	678

In the directors' opinion, the replacement cost of inventories is not materially different from their balance sheet value.

20. OTHER FINANCIAL ASSETS

Trade and other receivables

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Trade receivables	**1,520**	3,037	**—**	1,469
Amounts receivable from subsidiaries	**—**	—	**420**	425
Other receivables	**35**	175	**8**	129
Prepayments and accrued income	**126**	206	**8**	68
	1,681	3,418	**436**	2,091

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Notes to the Accounts

Year ended 30 June 2011

20. OTHER FINANCIAL ASSETS (continued)

Movement in allowance for doubtful debts

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Balance at 1 July	**20**	55	**15**	18
Impairment losses recognised	**(15)**	(35)	**(15)**	(3)
Balance at 30 June	**20**	20	**15**	15

Ageing of past due but not impaired receivables

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
1–30 days past due	**61**	133	**—**	20
31–90 days past due	**8**	33	**—**	3
91 days and more	**5**	29	**—**	5
	74	195	**—**	28

The Group has not provided for these as there has not been a significant change in the credit quality and the directors consider that the amounts are still recoverable.

Cash and cash equivalents

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Cash and cash equivalents	**1,179**	1,564	**207**	224

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months of less.

The carrying amount of these assets approximates their fair value.

Credit risk

The Company's principal financial assets are bank balances and cash, and trade and other receivables. The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The allowance for doubtful debts represents the difference between the carrying value of the specific trade receivables and the present value of the expected recoverable amount.

The average credit period on sales of goods is 40 days (2010 — 43 days). No interest has been charged on overdue receivables.

21. OTHER FINANCIAL LIABILITIES

Trade and other payables

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Trade payables	**958**	1,413	**49**	446
Amounts payable to subsidiaries	**—**	—	**61**	1,286
Other taxes and social security costs	**273**	536	**45**	246
Other creditors	**212**	430	**40**	255
Accruals	**123**	391	**7**	185
	1,566	2,770	**202**	2,418

The directors consider that the carrying amount of trade and other payables approximates their fair value.

22. BANK OVERDRAFTS AND LOANS

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Bank loans	**—**	4,456	**—**	4,456

All borrowings were in UK sterling. The Group has an overdraft facility of £100,000 which is secured by a floating charge over the Group's assets; the bank loans were secured by a fixed and floating charge over the Group's assets. Interest on the bank loans was charged at 1.50 per cent above LIBOR (2010 — 1.50 per cent above LIBOR). The carrying values and fair value of the Group's short-term and long-term borrowings are not considered materially different and are as follows:

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Secured borrowings at amortised cost				
Bank loans due within one year	**—**	883	**—**	883
Current liabilities	**—**	883	**—**	883
Secured borrowings at amortised cost				
Bank loans due after one year	**—**	3,573	**—**	3,573
Non-current liabilities	**—**	3,573	**—**	3,573

The borrowings were repayable as follows:

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Loan maturity analysis				
In more than one year but not more than two years	**—**	883	**—**	883
In more than two years but no more than five years	**—**	2,315	**—**	2,315
In more than five years	**—**	375	**—**	375
Amount due after more than one year	**—**	3,573	**—**	3,573
Amount falling due within one year	**—**	883	**—**	883
	—	4,456	**—**	4,456

Notes to the Accounts

Year ended 30 June 2011

22. BANK OVERDRAFTS AND LOANS (continued)

Analysis of net funds and net debt

Net funds refers to the positive cash position of the Group after offsetting total borrowings from cash and cash equivalents, whereas references to net debt refer to net borrowings of the Group after offsetting cash and cash equivalents from total borrowings. Net debt and net funds are not terms defined under IFRS and may not be comparable with other similarly titled non-IFRS measures reported by other companies. The Group adopts these measures as they are used for internal debt analysis. In addition, the net debt balance provides an indication of the net borrowings on which the Group is required to pay interest.

	2011 £'000	2010 £'000
Cash and cash equivalents	**1,179**	1,564
Bank overdrafts and loans	**—**	(4,456)
Net funds/(debt)	**1,179**	(2,892)

23. FINANCIAL INSTRUMENTS

Capital and liquidity risk management

At 30 June the Group was contractually obliged to make repayments of principal and payments of interest as detailed below:

2011	Within one year or on demand £'000	1–2 years £'000	3–5 years £'000	More than 5 years £'000	Total £'000
Trade and other payables	**1,566**	**—**	**—**	**—**	**1,566**
2010					
Bank borrowings	976	956	2,380	395	4,707
Financial instruments at fair value	55	—	—	—	55
Trade and other payables	2,770	—	—	—	2,770
	3,801	956	2,380	395	7,532

Categories and Fair Value of Financial Instruments

Carrying value

	2011 £'000	2010 £'000
Financial assets		
Trade and other receivables (including cash and cash equivalents)	**2,734**	4,983
Financial liabilities		
Derivative financial instruments (fair value through income statement)	**—**	(55)
Trade and other payables	**(1,566)**	(2,770)
Bank borrowings	**—**	(4,707)
	(1,566)	(7,532)

The fair values of the Group's financial assets and liabilities are not materially different from their carrying values. The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives and option pricing models for optional derivatives.

23. FINANCIAL INSTRUMENTS (continued)

Foreign Currency Risk Management

The Group undertakes transactions denominated in foreign currencies which gives rise to the risks associated with currency exchange rate fluctuations. Exposures are managed by a combination of matching foreign currency income and expenditure, maintaining foreign currency deposits and the use of forward exchange contracts. The carrying value of the Group's foreign currency assets and liabilities at the reporting date was:

	Assets		Liabilities	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Euro	**245**	452	**175**	474
US Dollar	**29**	52	**234**	355
NZ Dollar	**24**	22	**—**	94

Foreign Currency Sensitivity Analysis

At 30 June 2011 the Group is mainly exposed to the Euro and the US$. The following table details the effect of a 10 per cent increase and decrease in the exchange rate of these currencies against Sterling when applied to outstanding monetary items denominated in foreign currency as at 30 June 2011. A positive number indicates that an increase in profit which would arise from a 10 per cent strengthening of Sterling against these currencies, a negative number indicates that a decrease in profit would arise.

	Strengthening £'000	Weakening £'000
Euro	(6)	8
US$	12	(23)

Interest Rate Sensitivity Analysis

This sensitivity analysis was not performed as the Group had no exposure to interest rates for either derivatives or non-derivative instruments at the balance sheet date.

Forward Foreign Exchange Contracts

The Group had five (2010 — four) open foreign exchange contracts at 30 June 2011. The values are shown below.

	2011 £'000	2010 £'000
Principal Value	**245**	471
Fair Value	**—**	—

Capital Management

In line with the disclosure requirements of IAS 1, Presentation of Financial Statements, the Company regards its capital as being the issued share capital and reserves together with its banking facilities, used to manage short-term working capital requirements. Note 26 to the financial statements provides details regarding the Company's share capital and movements in the year. There were no breaches of any requirements with regard to any relevant conditions imposed by the Company's Articles of Association during the years under review.

Notes to the Accounts

Year ended 30 June 2011

24. DEFERRED INCOME

Deferred income arises from certain services sold by the Group's subsidiary Animalcare Limited. In return for a single upfront payment, Animalcare Limited commits to a fixed term contract to provide certain database, pet reunification and other support services to customers. There is no contractual restriction on the amount of times the customer makes use of the service. At the commencement of the contract it is not possible to determine how many times the customer will make use of the services, nor does historical evidence provide indications of any future pattern of use. As such, income is recognised evenly over the term of the contract, currently 8 years.

Movements in the Group's deferred income liabilities during the current and prior year are as follows:

	2011 £'000	2010 £'000
Balance at the beginning of the period	**991**	883
Income deferred to future periods	**207**	231
Release of income deferred from previous periods	**(154)**	(123)
	1,044	991

The deferred income liabilities fall due as follows:

	2011 £'000	2010 £'000
Within one year	**182**	154
After one year	**862**	837
	1,044	991

Income recognised during the year is set out below:

	2011 £'000	2010 £'000
Income received	**220**	248
Income deferred to future periods	**(207)**	(231)
Release of income deferred from previous periods	**154**	123
Income recognised in the year	**167**	140

25. DEFERRED TAX LIABILITIES

The following are the major components of the deferred tax liabilities/(assets) recognised by the Group, and the movements thereon, during the current and prior year.

	Property, plant and equipment £'000	Share-based payments £'000	Other £'000	Intangible fixed assets £'000	Total £'000
At 1 July 2009	210	(71)	(6)	331	464
(Credit)/charge to income	(155)	(23)	3	(39)	(214)
At 1 July 2010	55	(94)	(3)	292	250
Charge/(credit) to income	13	(28)	3	(52)	(64)
Disposal of businesses	(127)	—	—	6	(121)
At 30 June 2011	**(59)**	**(122)**	**—**	**246**	**65**

As set out in note 12, the rate of corporation tax will be reducing to 25 per cent on 1 April 2012. A reduction of 1 per cent would reduce deferred tax liabilities, if applied at 30 June 2011, to £62,000.

The following are the major components of the deferred tax liabilities/(assets) recognised by the Company, and the movements thereon, during the current and prior year.

	Accelerated tax depreciation £'000	Share-based payments £'000	Total £'000
At 1 July 2009	107	(71)	36
Credit to income	(49)	(22)	(71)
At 1 July 2010	58	(93)	(35)
Credit to income	—	(7)	(7)
Disposal of businesses	(114)	—	(114)
At 30 June 2011	**(56)**	**(100)**	**(156)**

As set out in note 12, the rate of corporation tax will be reducing to 25 per cent on 1 April 2012. A reduction of 1 per cent would reduce deferred tax assets, if applied at 30 June 2011, to £150,000.

26. SHARE CAPITAL

	2011 No.	2010 No.
Allotted, called up and fully paid ordinary shares of 20p each	**20,373,711**	20,047,516

	2011 £'000	2010 £'000
Allotted, called up and fully paid ordinary shares of 20p each	**4,075**	4,010

During the year £65,000 (2010 — £59,000) of ordinary shares were issued for proceeds of £179,000 (2010 — £166,000) resulting in a share premium of £114,000 (2010 — £107,000).

Notes to the Accounts

Year ended 30 June 2011

27. CONTINGENT LIABILITIES

Cross guarantees were in place at 30 June 2011 in respect of bank borrowing facilities between all of the Group companies.

28. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	2011 £'000	2010 £'000
Lease payments under operating leases recognised as an expense in the year	**185**	250

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2011 £'000	2010 £'000
Within one year	**108**	215
In the second to fifth years inclusive	**39**	123
After five years	**5**	77
	152	415

Operating lease payments represent rentals payable by the Group for certain of its office properties, vehicles and office equipment.

29. CAPITAL COMMITMENTS

At 30 June the Group had capital commitments as follows:

	2011 £'000	2010 £'000
Contracted for but not provided in the financial statements	**—**	35

30. SHARE-BASED PAYMENTS

Details of the movement in share options during the year are as follows:

	EMI		SAYE		Unapproved	
	Options	Price £	Options	Price £	Options	Price £
Outstanding at beginning of year	460,000	0.700	168,134	0.440	300,000	0.710
Expired during year	(80,000)	0.950	(27,199)	0.440	—	
Exercised during the year	(235,500)	0.591	(90,695)	0.440	—	
Open at 30 June 2011	144,500	0.727	50,240	0.440	300,000	0.710
Exercisable at the end of the year	89,500		3,247		100,000	

30. SHARE-BASED PAYMENTS (continued)

The weighted average inputs into the Black–Scholes model at the time of grant were as follows:

	EMI Scheme	SAYE Scheme	Unapproved Scheme
Weighted average share price	63p	58p	65p
Weighted average exercise price	66p	49p	67p
Expected volatility	35%	36%	35%
Expected life	2.4 years	3.0 years	2.7 years
Risk-free rate	4.2%	4.8%	4.0%
Expected dividend yield	3.6%	3.2%	3.6%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous two years. The expected lives used in the model were estimated based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The aggregate estimated fair value of the options granted during the year was £nil (2010 — £39,000).

The Group recognised total expenses of £16,000 (2010 — £58,000) within administrative expenses.

31. RELATED PARTY TRANSACTIONS

Trading transactions

During the year ended 30 June, the following trading transactions took place between the Company and its subsidiaries listed in note 18:

2011	Animalcare Limited £'000	Fearing International (Stock Aids) Limited £'000	Naychem Limited (formerly Travik Chemicals Limited) £'000	Total £'000
Sale of Goods	**—**	**62**	**—**	**62**
Purchase of Goods	**—**	**13**	**98**	**111**
Management Charges levied	**187**	**7**	**21**	**215**
Dividends received	**3,892**	**180**	**—**	**4,072**

2010	Animalcare Limited £'000	Fearing International (Stock Aids) Limited £'000	Naychem Limited (formerly Travik Chemicals Limited) £'000	Total £'000
Sale of Goods	2	86	—	88
Purchase of Goods	—	39	281	320
Management Charges levied	156	67	83	306
Dividends received	1,500	150	—	1,650

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Group, is set out in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of directors is provided in note 9. The directors' interests in the shares of the Company are contained in note 9.

Officers and Professional Advisors

Directors	J S Lambert S M Wildridge P O R Warner I D Menneer Lord Downshire
Secretary	P O R Warner
Company Number	1058015
Registered Office	Common Road Dunnington York YO19 5RU
Auditors	KPMG Audit Plc 1 The Embankment Neville Street Leeds LS1 4DW
Bankers	Barclays Bank PLC PO Box 190 1 Park Row Leeds LS1 5WU
Solicitors	Langleys Queens House Micklegate York YO1 6WG
Nominated Advisor and Broker	Brewin Dolphin Limited 34 Lisbon Street Leeds LS1 4LX
Registrars	Capita Registrars Limited 34 Beckenham Road Beckenham Kent BR3 4TU

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